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EXAMINER

WASYLCHAK, STEVEN R

ART UNIT PAPER NUMBER

3624

DATE MAILED: 02/24/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

# Office Action Summary

Application No.

09/579,801

Applicant(s)

KENNETH KIRON AND KEVIN BANDER

Examiner

Steven R. Wasylchak

Art Unit

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

## Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

## Status

- ☒ Responsive to communication(s) filed on 29 November 2004.
- ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

## Disposition of Claims

- ☒ Claim(s) 90-133 is/are pending in the application.
  - Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- ☒ Claim(s) 90-133 is/are rejected.
- ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

## Application Papers

- ☐ The specification is objected to by the Examiner.
- ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

## Priority under 35 U.S.C. § 119

- ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
  - All
  - Some
  - None of:
    - ☐ Certified copies of the priority documents have been received.
    - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
    - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

## Attachment(s)

- ☐ Notice of References Cited (PTO-892)
- ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)  
Paper No(s)/Mail Date \_\_\_\_\_
- ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date. \_\_\_\_\_
- ☐ Notice of Informal Patent Application (PTO-152)
- ☐ Other: \_\_\_\_\_

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### **DETAILED ACTION**

1. The new priority date is accepted as prior to March 13, 1995 by the filed Declaration of Prior Invention.
2. Claims 90-133 are pending.
3. This action is in response to amendment received on Nov. 29, 2004.
4. Applicant argues in substance that Lupien discloses the buying and selling of individual securities within the portfolio, whereas the claims disclose an "exchange traded fund."

Examiner responds by stating that Lupien discloses in col 1, L 50 an index portfolio which remains relatively stable, meaning its securities are rarely if ever traded since they track an specific index. Fox discloses in col 1, L 19 taxable trust investment accounts which include REITS (real estate investment trusts) whose gains are taxable and whose trust contains real estate assets, such as stock in coops, which are not traded, but the REIT itself is traded on the exchanges.

### ***Claim Rejections - 35 USC § 102***

5. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this

Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

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6. Claims 90-119, 124-133 are rejected under 35 U.S.C. 102(b) as being anticipated by Lupien (US 5,101,353).

Claims:

90. An exchange traded fund comprising:

an actively managed portfolio comprising of securities that satisfy an investment objective,/ abstract

the securities within the portfolio being weighted and the portfolio being changeable in response to a change in the securities that satisfy an investment objective;/ col 3, L 28-37; col 4, L 45-61; col 10, L 1-20; col 11, L 51-60; col 1, L 25

a plurality of outstanding shares of the exchange traded fund capable of being listed and/ col 8, L 14, 46; col 11, L 20-29

traded on an exchange at a price corresponding to the price of the securities within the portfolio; and,/ abstract (relationship as corresponding); col 3, L 15-45, 62 to col 4, L 31; col 4, L 24-65; col 7, L 30-36; col 10, L 14-16, 24-36; col 1, L 25 wherein the price that the outstanding shares are being traded on the exchange is adapted to be displayed in real time on an electronic system./ col 3, L 37-41; col 6, L 15-59; col 7, L 39-46; col 10, L 21-23; claim 12

91. The fund of claim 90 wherein the exchange traded fund is not a closed end fund./ col 1, L 44-57 (liquidity and depth of the open market); col 2, L 49-57; col 3, L 62-68 (liquidity and depth)

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92. The fund of claim 90 wherein the price of the outstanding shares traded on the exchange highly correlates to the price of the securities in the portfolio./col 3, L 15-45; col 4, L 13-31; L 45-53; col 10, L 30-47; col 1, L 25

93. The fund of claim 90 wherein the investment objective comprises investing in securities within a similar industry./ col 3, L 15-31; col 10, L 1-8, 38-51

94. The fund of claim 90 further comprising a derivative having a price correlating to the real time determined price of the fund, the derivative being capable of being listed and traded on an exchange./ col 3, L 7-14, 34-45; col 4, L 49-53

95. A method comprising the steps of:

listing outstanding shares of an actively managed fund having a portfolio comprising:

securities that satisfy an investment objective and are a subset of an identified group, / abstract; col 3, L 15-45 (subset as sector); col 1, L 25 (track index performance)

the securities within the portfolio being weighted and the portfolio being changeable in response to a change in the identified group, wherein the actively managed fund is not a closed end fund;/ col 3, L 15-37; col 4, L6-31; col 1, L 44-57 (liquidity and depth of the open market fund); col 2, L 49-57; col 3, L 62-68 (liquidity and depth)

providing an exchange for trading the outstanding shares of the fund at a price highly correlating to the price of the securities within the portfolio; and,/ col 3, L 15-45; col 4, L 13-31; L 45-53; col 10, L 30-47; correlating as in the use of the hedge function of a derivative.

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displaying in real time the price that the outstanding shares are being traded on the exchange./ col 3, L 37-41; col 6, L 15-59; col 7, L 39-46; col 10, L 21-23; claim 12

96. The method of claim 95 further comprising the step of listing a derivative having a price corresponding to the price of the outstanding shares./ col 3, L 7-45; col 4, L 49-53

97. The method of claim 95 further comprising the step of calculating overall positions of the shareholders of the outstanding shares./ col 4, L 32-41

98. The method of claim 95 further comprising the step of electronically trading the outstanding shares./ abstract; col 4, L 32-41

99. The method of claim 95 wherein the investment objective includes investing in securities within a similar industry./ col 3, L 15-31; col 10, L 1-8, 38-51

100. The method of claim 95 further comprising the step of clearing trades of the fund./ col 4, L 32-41

101. A method comprising the steps of:

buying on an exchange outstanding shares representing ownership of an actively managed exchange traded fund comprising a portfolio of securities that satisfy an investment objective, the securities within the portfolio being weighted and the portfolio being changeable in response to a change in the identified group; and, selling on the exchange the outstanding shares at a price highly corresponding to the price of the securities within the portfolio./ FOR ALL THE ABOVE, REFER TO REASONING UNDER CLAIM 90

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102. The method of claim 101 wherein the price that the outstanding shares are being traded on the exchange is displayed in real time./ abstract; col 3, L 7-14, 34-45; col 4, L 49-53

103. The method of claim 101 wherein the actively managed exchange traded fund is not a closed end fund./ col 1, L 44-57 (liquidity and depth of the open market); col 2, L 49-57; col 3, L 62-68 (liquidity and depth)

104. The method of claim 101 wherein the investment objective comprises investing in securities within a similar industry./ col 3, L 15-31; col 10, L 1-8, 38-51

105. The method of claim 101 further comprising the step of listing on the exchange a derivative having a price correlating to the real time determined price of the fund./ col 3, L 7-14, 34-45; col 4, L 49-53

106. The method of claim 101 wherein the trading of the shares takes place electronically and off the exchange floor./ col 3, L 7-14, 34-45; col 4, L 49-53

107. The method of claim 101 wherein the trading of the shares takes place electronically and in the over the counter market./ col 3, L 7-14, 34-45; col 4, L 49-53

108. A method comprising the steps of:

identifying a plurality of securities within a similar industry;/ col 3, L 15-31; col 10, L 1-8, 38-51

separating the plurality of securities within the similar industry into a group

satisfying market capitalization criteria;/ col 1, L 28-36; col 10, L 1-8, 38-51

col 3, L 15-31 (EPS: capitalization in share S, D/E: shares subsumed in equity)

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creating an exchange traded fund having a number of outstanding shares and comprising securities within the group;/ col 3, L 15-31; col 10, L 1-8, 38-51

changing the securities comprising the fund in response to changes in the securities in the group;/ col 3, L 15-45; col 4, L 13-31; L 45-53; col 10, L 30-47

trading the outstanding shares of the fund on an exchange at a real time determined price highly correlating to the securities comprising the group;/ col 3, L 7-14, 34-45; col 4, L 49-53

generating at least an end of day net asset value of the fund; and,/ col 4, L 32-41

outputting an indication of the real time determined price in a humanly readable format./ col 3, L 37-41; col 6, L 15-59; col 7, L 39-46; col 10, L 21-23; claim 12

109. The method of claim 108 wherein the net asset value is calculated during the day./ col 4, L 32-41

110. The method of claim 108 wherein the exchange traded fund is not a closed end fund./ col 3, L 15-31; col 10, L 1-8, 38-51

111. The method of claim 108 wherein the exchange traded security has a constant group./ col 3, L 15-31; col 10, L 1-8, 38-51; col 1, L 25

112. The method of claim 108 further comprising the step of providing a weighing of the securities comprising the group./ col 3, L 28-37; col 4, L 45-61; col 10, L 1-20; col 11, L 51-60

113. The method of claim 108 further comprising the step of listing the outstanding shares on an exchange./ col 3, L 28-37; col 4, L 45-61; col 10, L 1-20; col 11, L 51-60



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114. The method of claim 108 further comprising the step of listing on the exchange a derivative having a price correlating to the real time determined price of the fund./ col 3, L 7-14, 34-45; col 4, L 49-53; col 1, L 25

115. The method of claim 108 further comprising the step of calculating overall positions of shareholders of the outstanding shares./ col 4, L 32-41

116. The method of claim 108 further comprising the step of electronically trading the outstanding shares./abstract

117. The method of claim 108 further comprising the step of changing the securities comprising the group in response to changes in the securities./ abstract (relationship as corresponding); col 3, L 15-45, 62 to col 4, L 31; col 4, L 24-65; col 7, L 30-36; col 10, L 14-16, 24-36; col 1, L 25

118. The method of claim 108 wherein the exchange traded fund is actively managed./abstract

119. The method of claim 108 further comprising the step of clearing the trades of the fund./ col 4, L 32-41

124. A method comprising the steps of:

listing outstanding shares of an exchange traded fund having a portfolio comprising a group of securities that are within a similar industry, the securities within the portfolio being weighted and the portfolio being changeable in response to a change in the identified group, wherein

the fund is not a closed end fund;/ abstract; col 3, L 15-45; col 4, L 45-61; col 10, L 1-20; 38-51; col 11, L 51-60; col 1, L 25, 44-57 (liquidity and depth of the open market); col 2, L 49-57; col 3, L 62-68 (liquidity and depth)

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providing an exchange for trading the outstanding shares at a price correlating to the price of the securities within the portfolio; and,/ col 3, L 7-14, 34-45; col 4, L 49-53

displaying in real time the price that the outstanding shares of the fund are being traded on the exchange./ col 3, L 37-41; col 6, L 15-59; col 7, L 39-46; col 10, L 21-23; claim 12

125. The method of claim 124 wherein the fund is actively managed./ abstract

126. The method of claim 124 further comprising the step of listing a derivative product of the exchange traded fund having a price corresponding to the price of the outstanding shares./ col 3, L 7-45; col 4, L 49-53; col 1, L 25

127. The method of claim 124 further comprising the step of electronically trading the outstanding shares./ abstract

128. The method of claim 124 further comprising the step of clearing trades of the fund./ col 4, L 32-41

129. The method of claim 124 wherein the exchange traded fund has a constant group./ col 3, L 15-31; col 10, L 1-8, 38-51; col 1, L 25

130. An exchange traded security comprising:

a group of securities that are within a similar industry and satisfying market capitalization, the securities being weighted and the portfolio being changeable in response to a change in the identified group, wherein the exchange traded security has outstanding shares that are capable of being listed and traded on an exchange at a real time determined price highly correlating to securities within the group, and wherein the exchange traded security is not a closed end fund./

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abstract; col 3, L 15-45; col 4, L 45-61; col 10, L 1-20; 38-51; col 11, L 51-60; col 1, L 25, 44-57 (liquidity and depth of the open market); col 2, L 49-57; col 3, L 62-68 (liquidity and depth); col 3, L 37-41; col 6, L 15-59; col 7, L 39-46; col 10, L 21-23; claim 12

131. The exchange traded security of claim 130 wherein a composition of the securities of the portfolio is actively managed./ abstract

132. The exchange traded security of claim 130 further comprising a derivative having a price correlating to the real time determined price of the fund, the derivative being capable of being listed and traded on the exchange./ col 3, L 7-14, 34-45; col 4, L 49-53

133. The exchange traded security of claim 130 wherein the fund generates at least an end of the day net asset value, and wherein the net asset value and the price are highly correlating./ col 1, L 25; col 3, L 15-45; col 4, L 13-31; L 45-53; col 10, L 30-47; col 4, L 32-41

### ***Claim Rejections - 35 USC § 103***

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

8. Claims 120-123 are rejected under 35 U.S.C. 103(a) as being unpatentable over Lupien (US 5,101,353) and in view of Fox (US 5,132,899).

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CLAIMS:

120. (Amended) A method comprising the steps of:

identifying a plurality of securities within a substantially similar industry;/ col 3, L 15-31; col 10, L 1-8, 38-51

separating the plurality of securities within the substantially similar industry into a group satisfying market capitalization criteria;/ col 3, L 28-37; col 4, L 45-61; col 10, L 1-20; col 11, L 51-60

Lupien discloses creating an exchange traded securities having a number of outstanding shares and comprising securities within the group;/ col 3, L 15-31; col 10, L 1-8, 38-51. Lupien does not explicitly teach trusts. However, Fox teaches trusts (col 1, L 13-42: taxable trust investment accounts, such as REITS as discussed in item 4 above).

It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest.

Lupien discloses changing the securities in response to changes in the securities in the group;/ abstract (relationship as corresponding); col 3, L 15-45, 62 to col 4, L 31; col 4, L 24-65; col 7, L 30-36; col 10, L 14-16, 24-36. Lupien does not explicitly teach trusts. However, Fox teaches trusts (col 1, L 13-42).

It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest.

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Lupien discloses trading the outstanding shares on an exchange at a real time determined price highly correlating to the securities comprising the group;/ col 3, L 7-14, 34-45; col 4, L 49-53. Lupien does not explicitly teach trusts.

However, Fox teaches trusts (col 1, L 13-42). It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest.

Lupien discloses generating at least an end of day net asset value; and,/ col 4, L 32-41. Lupien does not explicitly teach trusts. However, Fox teaches trusts (col 1, L 13-42). It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest. outputting an indication of the real time determined price in a humanly readable format./ col 3, L 37-41; col 6, L 15-59; col 7, L 39-46; col 10, L 21-23; claim 12

121. The method of claim 120 wherein the exchange traded securities are actively managed./ abstract. Lupien does not explicitly teach trusts.

However, Fox teaches trusts (col 1, L 13-42). It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest.

122. The method of claim 120 wherein the exchange traded securities have a substantially constant group, and the securities comprising the group are

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changed only in response to changes in each security in the group./ col 3, L 15-45; col 4, L 31, 24-65; col 10, L 1-36; col 11, L 51-60; col 3, L 15-45, 62 to col 4, L 31; col 7, L 30-36. Lupien does not explicitly teach trusts. However, Fox teaches trusts (col 1, L 13-42). It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest.

123. The method of claim 120 further comprising the step of clearing trades./ col 4, L 32-41. Lupien does not explicitly teach trusts. However, Fox teaches trusts (col 1, L 13-42). It would have been obvious to one of ordinary skill in the art to use this limitation for the advantage of using an legal entity with various legal protections such as a blind trust for financial instruments to prevent conflict of interest.

This action is **FINAL**. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Steven R. Wasylchak whose telephone number is (703) 308-2848. The examiner can normally be reached on Monday-Thursday from 7:00 a.m. to 6:00 p.m. EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin, can be reached at (703) 308-1065. The fax number for Art Unit 3624 is (703) 872-9306.

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Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 308-1113.

Steven Wasylchak



2/17/05



VINCENT MILLIN  
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